

### § 705.3

the Fund and inviting interested Qualifying Credit Unions to submit applications to participate in the program(s) or initiative(s).

*Participating Credit Union* refers to a Qualifying Credit Union that has submitted an application for a loan or a technical assistance grant from the Fund which has been approved by NCUA. A Participating Credit Union shall not be deemed to be an agency, department, or instrumentality of the United States because of its receipt of a financial award from the Fund.

*Program* means the Community Development Revolving Loan Fund Program under which NCUA makes loans and technical assistance grants available to credit unions.

*Qualifying Credit Union* means a credit union that may be, or has agreed to be, examined by NCUA, with a current low-income designation pursuant to § 701.34(a)(1) or § 741.204 of this chapter or, in the case of a non-federally insured, state-chartered credit union, a low-income designation from a state regulator, made under appropriate state standards with the concurrence of NCUA. Services to low-income members must include, at a minimum, offering share accounts and loans.

*Technical Assistance Grant* means an award of money from the Fund to a Participating Credit Union that does not have to be repaid.

### § 705.3 Eligibility requirements.

To be eligible to receive a CDRLF award, in the form of either a loan or a technical assistance grant, a Qualifying Credit Union must, within the timeframes specified in any Notice of Funding Opportunity:

(a) Complete and submit an Application; and

(b) Meet the underwriting standards established by NCUA, including those pertaining to financial viability, as set forth in the Application and any related materials developed by NCUA.

### § 705.4 Permissible uses of loan funds.

NCUA may make loans from the Fund to Participating Credit Unions for various uses. The following is a non-exhaustive list of permissible uses or projects:

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(a) Development of new products or services for members, including new or expanded share draft or credit card programs;

(b) Partnership arrangements with community-based service organizations or government agencies;

(c) Loan programs, including, but not limited to, microbusiness loans, payday loan alternatives, education loans, and real estate loans;

(d) Acquisition, expansion, or improvement of office space or equipment, including branch facilities, ATMs, and electronic banking facilities; and

(e) Operational programs such as security or disaster recovery.

### § 705.5 Terms and conditions.

(a) NCUA may make loans, in such amounts and subject to such terms and conditions as it may determine, from the Fund to Participating Credit Unions.

(b) *Funding Limits.* Loans may be granted in amounts up to \$300,000 in the aggregate, depending on the creditworthiness of the Qualifying Credit Union, its financial need, and its demonstrated capability to provide financial and related services to its members. NCUA may, however, make loans that exceed \$300,000 in certain circumstances. NCUA will include in the related Notice of Funding Opportunity the particular criteria used to evaluate an Application for a loan that exceeds \$300,000.

(c) *Recording of a loan.* At the discretion of NCUA, a loan will be recorded by a Participating Credit Union as either a note payable or a nonmember deposit.

(d) *Interest rate.* The rate of interest on loans is governed by the CDRLF Loan Interest Rate Policy, which can be found on NCUA's Web site or by contacting NCUA's Office of Small Credit Union Initiatives. The specific interest rate for a particular funding will be announced in the related Notice of Funding Opportunity. The Board will announce changes, if any, to the CDRLF Loan Interest Rate Policy and those changes will apply to loans made under future Notices of Funding Opportunities.

(e) *Repayment and maturity.* (1) Awards made available through loans, whether recorded as a note payable or nonmember deposit, must be repaid to NCUA. All loans will be scheduled for repayment consistent with sound business practices and the objectives of the Program, but in no case will the term exceed five years.

(2) Interest payments will be required semiannually beginning six months after the initial distribution of a loan.

(3) NCUA may allow flexible repayment of loan principal. Details and specific provisions will be addressed in the Notice of Funding Opportunity and other program materials.

(f) *Acceleration.* The terms of each loan agreement will provide for the immediate acceleration of the unpaid balance for breach or default in performance by the Participating Credit Union of the terms or conditions of the loan. Default and breach include misrepresentation; failure to make interest or principal payments when due; failure to file required reports; insolvency of the Participating Credit Union; and, if required by NCUA, failure to maintain adequate matching funds for the duration of the loan. Other specific causes of default and breach will be identified in the loan documents between the Participating Credit Union and NCUA. The unpaid balance will also be accelerated and immediately due if any part of the loan funds are improperly used or if uninvested loan proceeds remain unused for an unreasonable or unjustified period of time.

(g) *Matching requirements.* At its discretion, NCUA may require a Participating Credit Union to develop and implement a plan to match all or a portion of the funds represented by loan proceeds. Such requirement will be based on the financial condition of the Participating Credit Union, which will be evaluated under criteria contained in the related Notice of Funding Opportunity. Matching funds must be from non-governmental member or nonmember share deposits. Participating Credit Unions required to provide matching funds are subject to the following general provisions and any other conditions in the related Notice of Funding Opportunity and agree-

ments between the Participating Credit Union and NCUA:

(1) Loan monies made available generally must be matched by the Participating Credit Union in an amount equal to the loan amount. Any loan monies matched by nonmember share deposits are not subject to the 20% limitation on nonmember deposits under §701.32 of this chapter. Participating Credit Unions must maintain the increase in the total amount of share deposits for the duration of the loan. Once the loan is repaid, nonmember share deposits accepted to meet the matching requirement are subject to §701.32 of this chapter.

(2) Upon approval of its loan application, and before it meets its matching, if required, a Participating Credit Union may receive the entire loan commitment in a single payment. If, at NCUA's discretion, any funds are withheld, the remainder of the funds committed will be available to the Participating Credit Union only after it has documented that it has met the match requirement.

(3) Failure of a Participating Credit Union to generate the required match within the time specified in the loan documents may result in the reduction of the loan proportionate to the amount of match actually generated. Payment of any additional funds initially approved may be limited as appropriate to reflect the revised amount of the loan approved. Any funds already advanced to the Participating Credit Union in excess of the revised amount of loan approval must be repaid immediately to NCUA. Failure to repay such funds to NCUA upon demand may result in the default of the entire loan.

(h) *Other terms and conditions.* Other terms and conditions pertaining to loans, including but not necessarily limited to duration, repayment obligations, and covenants, will be specified in the related Notice of Funding Opportunity or applicable loan documents to be signed by the Participating Credit Union.

#### § 705.6 Application and award processes.

(a) *Notice of Funding Opportunity.* NCUA will publish a Notice of Funding